

Message Text

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INFO OCT-01 ARA-10 ISO-00 AGRE-00 CEA-01 CIAE-00
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FM AMEMBASSY BRUSSELS
TO SECSTATE WASHDC 0410
INFO AMEMBASSY ASUNCION
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E.O.11652: N/A

TAGS: XM, EEC, ETRD, EAID

SUBJECT: EC/LATIN AMERICAN SEMI-ANNUAL - POSITIVE
TONE, BUT NO REAL SUBSTANCE

REF: (A) EC BRUSSELS 5617, (B) EC BRUSSELS 5640 (NOTAL)
(C) EC BRUSSELS A-022, (D) EC BRUSSELS A-132(NOTAL)

1. SUMMARY: THE RECENT SEMI-ANNUAL EC/LA DIALOGUE SHOWED A NOTICEABLE IMPROVEMENT IN TONE, BUT A DEARTH OF SUBSTANCE. THE DIALOGUE DID AGREE TO RE-ESTABLISH A JOINT WORKING GROUP ON TRADE MEASURES AND TO CONTINUE INFORMAL CONTACTS BETWEEN THE CO-CHAIRMAN AND COMMISSION. THE LA GROUP IS AMBIVALENT TOWARD THE FUTURE ROLE OF THE LA ECONOMIC SYSTEM IN THE DIALOGUE. THE EC PLANS A MODEST INCREASE OF AID TO LA AND TO CONTINUE TO PROMOTE LA TRADE AND REGIONAL INTEGRATION. BRAZIL, ARGENTINA AND VENEZUELA ARE CONSIDERING A REQUEST TO NEGOTIATE BROAD COOPERATION AGREEMENTS WITH THE EC, BUT NO FIRM DECISIONS HAVE BEEN MADE AND TO VARYING DEGREES LA OFFICIALS QUESTION THE DESIRABILITY OF SUCH AGREEMENTS. END SUMMARY.

2. THE EC AND THE LATIN AMERICAN GROUP HELD ITS SEMI-ANNUAL DIALOGUE IN BRUSSELS ON JUNE 13 UNDER THE CHAIRMANSHIP OF VENEZUELAN AMBASSADOR SILVA-SUCRE AND LIMITED OFFICIAL USE

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PRESIDENT OF THE EC COMMITTEE OF PERMANENT REPRESENTATIVES, UK AMBASSADOR MAITLAND. EC COMMISSION, PERMDEL AND LA EMBASSY OFFICIALS DESCRIBE THE DIALOGUE'S TONE AS BEING MORE POSITIVE THAN IN THE RECENT PAST. THE LA GROUP AVOIDED THE SHARP CRITICISMS OF THE EC WHICH HAD PREVIOUSLY CHARACTERIZED THE DIALOGUE. EC OFFICIALS ATTRIBUTE THIS CHANGE TO THE FOLLOWING FACTORS: 1) THE EC AND LA CHAIRMEN HAVE BEEN MEETING INFORMALLY TO PREPARE THE AGENDA AND DISCUSS WAYS OF IMPROVING THE DIALOGUE; 2) RECENT EC TRADE MEASURES HAVE HELPED EASE LA COMPLAINTS, I.E., THE EC BAN ON MEAT IMPORTS HAS BEEN LIFTED, AND ITS DEPOSIT REQUIREMENT ON PROTEIN TO ENCOURAGE ANIMAL FEEDING OF MILK POWDER HAS BEEN PHASED OUT; AND 3) THE EC IS TAKING STEPS TO RESPOND TO OTHER LA COMPLAINTS.

3. NEVERTHELESS, LA OFFICIALS TELL US THE MEETING'S CONCLUSIONS NOTED THAT THE DIALOGUE WAS "STAGNATING" AND OTHER COOPERATION FORMULAS WERE NEEDED TO HELP LA. THE GROUP POINTED OUT THAT THE EC WAS ESTABLISHING PRIVILEGED RELATIONSHIPS WITH OTHER LDC GROUPS WHICH HAVE IMPEDED LA ACCESS TO THE EC MARKET. IN FACT,

OVER THE PAST TEN YEARS THE LA TRADE POSITION IN THE EC MARKET HAS DETERIORATED; THE GROUP ASKED FOR EC MEASURES TO REVERSE THIS TREND. THE LA'S INDICATED THAT THE INTER-AMERICAN DEVELOPMENT BANK (IDB), ECLA, AND THE LATIN AMERICAN ECONOMIC SYSTEM (LAES) HAD TAKEN STEPS TO STRENGTHEN ECONOMIC TIES WITH THE EC. THE GROUP HOPED THAT THE EC WOULD RESPOND TO THESE INITIATIVES.

4. EC OFFICIALS SAY THAT THE EC REPLIED AS FOLLOWS: A) COMMUNITY FINANCIAL AID TO LA WOULD BE INCREASED FROM \$2.5 MILLION LAST YEAR TO \$8-10 MILLION THIS YEAR; THIS AID WOULD LIKELY GO TO BOLIVIA, THE ANDEAN GROUP, THE CACM AND PERHAPS THE IDB; B) THE EC WOULD CONTINUE TO LIMITED OFFICIAL USE

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PROMOTE LA EXPORTS AND COMMERCIAL ACTIVITIES; C) THE EC PLANS TO ESTABLISH A REGIONAL OFFICE IN CARACAS AND

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WOULD MAINTAIN ON A REDUCED SCALE ITS CURRENT OFFICE IN SANTIAGO; AND D) THE COMMISSION WAS PREPARED TO WORK WITH LAES IN ASSISTING WITH ITS ACTION PROGRAM. THE LA GROUP AND THE EC ALSO DECIDED TO REACTIVATE THE JOINT WORKING PARTY ON TRADE QUESTIONS WHICH WOULD SERVE AS AN ADDED INSTRUMENT TO ANALYZE EC/LA RELATIONS. THE CHAIRMEN AND THE COMMISSION WILL DRAW UP A PROPOSED MANDATE FOR THIS WORKING PARTY. THE DIALOGUE ALSO DECIDED TO CONTINUE INFORMAL CONTACTS BETWEEN THE CHAIRMEN AND THE COMMISSION. ARGENTINE AMBASSADOR MOYANO LLERENA WILL CHAIR THE LA GROUP THE SECOND HALF OF 1977 AND ITS VICE-CHAIRMAN WILL BE BOLIVIAN AMBASSADOR MEDEIROS QUEREJAZA.

5. EC PERMDEL OFFICIALS ADD THAT PRIVATELY THE LA'S CONTINUE TO PRESS THE EC TO IMPROVE THE DIALOGUE SUCH AS ADOPTING A JOINT CONSULTATIVE FRAMEWORK ALONG THE LINES OF THE ONGOING EURO-ARAB DIALOGUE. THE EC, HOWEVER, PREFERS TO CONTINUE WITH THE DIALOGUE, BECAUSE IT PROVIDES FOR A PERIODIC REVIEW OF SALIENT EC/LA ISSUES WITHOUT PLACING THE EC IN THE AWKWARD POSITION OF HAVING TO TURN DOWN CONCRETE LA REQUESTS FOR ADDITIONAL ASSISTANCE. THE EC WANTS TO AVOID DISCUSSING TECHNICAL ISSUES IN THE DIALOGUE. IT PREFERS FOR THE LA

COUNTRIES TO TAKE UP THESE ISSUES ON A BILATERAL BASIS
WITH THE NINE AND THE COMMISSION.
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6. THE LA'S ARE SEEKING A BROAD MANDATE FOR THE JOINT WORKING PARTY, HOPING TO MAKE IT A "MINI-GATT". EC OFFICIALS WANT TO LIMIT ITS MANDATE. THE WORKING PARTY, FOR EXAMPLE, MIGHT ANALYZE TRADE FLOWS. EC OFFICIALS ARE AFRAID IT COULD BE USED TO LAUNCH A LA ATTACK ON THE CAP AND EC TRADE MEASURES. COMMISSION OFFICIALS DO NOT EXPECT MUCH TO COME OUT OF THE WORKING PARTY. ITS ESTABLISHMENT REPRESENTS A CONCESSION TO LA DEMANDS THAT GREATER SUBSTANCE SHOULD BE PUT INTO THE DIALOGUE.

7. THE LAES ROLE IN THE DIALOGUE IS NOT YET DEFINED. COMMISSION OFFICIALS ARE FLEXIBLE AND WILL RESPOND TO LAES INITIATIVES. THEY PLAN TO HELP LAES IN ITS ACTION PROGRAM AND TO ENCOURAGE IT TO PREPARE ITEMS FOR THE DIALOGUE. PERMDEL OFFICIALS SAY THAT AS A REGIONAL ORGANIZATION, LAES WILL WORK WITH THE COMMISSION; THEY DO NOT EXPECT TO HAVE BILATERAL CONTACTS WITH IT. LA OFFICIALS HERE ARE AMBIVALENT TOWARD LAES'S ROLE. IT SHOULD COMPLEMENT THE DIALOGUE BY PROVIDING TECHNICAL EXPERTISE BUT THE LA AMBASSADORIAL GROUP WILL DIRECT POLICY AND THE DIALOGUE WILL CONTINUE AS THE MAIN FORUM FOR EC/LA CONTACTS. THE COMMISSION WILL MEET IN OCTOBER WITH LAES TO DISCUSS WAYS OF COOPERATING. (SEE REF. A.)

8. EC OFFICIALS REPORT THAT THE LA GROUP DESCRIBED CIEC AS NEITHER A FAILURE NOR A SUCCESS; THE LA'S, HOWEVER, HAD HOPED FOR GREATER RESULTS. THE GROUP ALSO ASKED THE EC TO TAKE ACCOUNT OF THE INTERESTS OF THE LDCS IN THE MTN NEGOTIATIONS. LA OFFICIALS SAY THAT THEIR MEAT EXPORTS HAVE NOT IMPROVED DESPITE THE LIFTING OF THE EC EMBARGO. THE NEW EC LEVY SYSTEM IS MORE PROTECTIVE THAN BEFORE AGAINST BEEF IMPORTS WHEN EC PRODUCERS' PRICES ARE BELOW EC SUPPORT PRICES. (SEE REF. C, PAGE 21, AND REF. D.) NEVERTHELESS, THE
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LA'S DEFERRED CRITICIZING THE NEW SYSTEM UNTIL THEY
HAD A CHANCE TO SEE HOW IT WOULD OPERATE. LA OFFICIALS

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ARE NOT HOPEFUL, HOWEVER, THAT THEY WILL BE ABLE TO
REGAIN THEIR PREVIOUS MARKET POSITION.

9. BOTH LA AND EC OFFICIALS DO NOT EXPECT TO UNDERTAKE
NEGOTIATIONS OF NEW JOINT COOPERATION AGREEMENTS IN
THE NEAR FUTURE. BRAZILIAN EMBASSY OFFICIALS SAY THAT
THEY ARE CONSIDERING REQUESTING NEGOTIATIONS OF A BROAD
COOPERATION AGREEMENT ALONG THE LINES OF THE EC/MEXICAN
AGREEMENT, BUT THEY HAVE NOT YET MADE UP THEIR MINDS.
ARGENTINE OFFICIALS CONFIRM (SEE REF. B) THAT THEY
ALSO HAVE BEEN THINKING ABOUT REQUESTING SUCH NEGOTIA-
TIONS BUT THEY QUESTION WHETHER A BROAD COOPERATION
AGREEMENT WOULD HELP EXPAND THEIR TRADE TO THE EC.
FOR THE TIME BEING THEY PLAN TO CONTINUE TO RENEW THE
CURRENT JOINT TRADE AGREEMENT. VENEZUELAN OFFICIALS
INDICATE THAT THE GOV HAS CONSIDERED SUCH AN AGREEMENT,
BUT THE GOV IS NOT INCLINED TO ENTER INTO ONE BECAUSE
IT QUESTIONS ITS VALUE. THE GOV WOULD PREFER TO WORK
WITH THE EC THROUGH THE ANDEAN GROUP AND NORMAL BILATERAL
CONTACTS.

10. COMMENT: LA AMBIVALENCE TOWARD A POSSIBLE EC/LAES
RELATIONSHIP IS ILLUSTRATIVE OF THE DIALOGUE'S BASIC
DILEMMA. THE SMALL LA COUNTRIES SUPPORT IT BECAUSE IT
GIVES THEM ADDED WEIGHT IN DISCUSSIONS WITH THE EC.
THESE COUNTRIES CONSEQUENTLY WANT TO STRENGTHEN REGIONAL
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TIES, INCLUDING LAES CONTACTS WITH THE EC. THE MAJOR
LA COUNTRIES, HOWEVER, WANT TO PRESERVE THEIR
INDEPENDENCE AND FLEXIBILITY WITH THE EC. THE
BRAZILIANS, FOR EXAMPLE, CLEARLY GIVE PRIORITY TO BI-
LATERAL CONTACTS. END COMMENT. HINTON

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